

Assistant Director for Research and Reports

27 August 1959

Acting Chief, Economic Research Area, ORR

Chinese Communist Admission of Gross
Overstatements in Economic Statistics

1. This memorandum is for your information and brings to your attention the close agreement between the ORR estimates of Chinese Communist economic achievement in 1958 and the "verified" 1958 production statistics broadcast by Radio Peiping on 26 August.

2. Early this year the Office concluded that some of the official "leap forward" data of 1958 were not reliable even with proper understanding of the definitions and concepts involved. Consequently the Office substituted totally independent estimates of output for several important commodities for use in NIE 13-59, Communist China, (CIA/RR IP 59-15, 28 May 59), and included in its contribution a detailed discussion of the "deterioration" in Chinese Communist statistics in 1958.

3. The Communiqué of the Central Committee of the Chinese Communist Party broadcast by Radio Peiping on 26 August admits serious "overassessment" of economic achievement in 1958. "Verified" statistics for 1958 and revised goals for 1959 are presented for the "Four Major Targets" -- grain, cotton, steel, and coal.

4. The following table presents the original Chinese Communist claims for 1958, the "verified" Chinese Communist statistics, and the ORR estimates for the NIE:

<u>1958 Production (million metric tons)</u>			
	<u>Original Claims</u>	<u>"Verified" Statistics</u>	<u>ORR Estimates for the NIE</u>
Grain	375	250	220*
Cotton	3.35	2.1	2.5*
Crude Steel (commercially usable)	11	8	7.5
Coal	270	270	270

*Maximum

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SUBJECT: Chinese Communist Admission of Gross
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5. We believe the revised grain figure is still overstated. A 15-20 percent increase over 1957 output continues to be the maximum increase believed possible but the "verified" claim represents a 35 percent rise. The new Chinese Communist cotton figure is even less than the ORR estimate, which was based on procurement data. In addition to reductions for grain and cotton, reductions in claims made for hogs and for less important agricultural crops -- tobacco, peanuts, soybeans, and hemp -- have been announced by Peiping. Part of the reason for the retreats on the 1958 figures is to insure that announcements of achievements in 1959 will be consistent with 1958 results. The 1959 goal for grain, for example, is now announced as 275 instead of 525 million tons.

6. The publication of these "verified" statistics supports the contention held by the Office that there was a pronounced deterioration in the reliability of Chinese Communist statistics in 1958 and that our difficulties with Chinese Communist statistics for 1958 have far transcended the ordinary difficulties encountered in interpreting statistics from Communist Bloc nations.

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